Partner 5G

Partner Communications

Company & Financial Overview

Q4 2023 & FY 2023

March 11, 2024

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Partner 5G

Main Points

- Summarizing a year of large changes in the company
- Partner at the end of 2023 is significantly better than at the beginning of the year
- Continuing improvement processes which lead to cost cutting and to improvements in sales effectiveness
- Investing in the future and in innovation: Acceleration of 5G sites deployment & expected launch this year of 5G SA
- Continued focus on Cellular value propositions including 5G packages
- Fiber momentum continues, based on the three existing fiber infrastructures and the completion of our independent fiber deployment
- Financial robustness with net financial debt to EBITDA of 0.5

hello future

Company overview

A leading Israeli communications provider

Providing quality and innovative communication solutions and services
Through initiatives, responsibility and fairness, for the benefit of the company's customers, employees and shareholders

Cellular

2,644K sub.

Of which 93% Post-Paid subs.

Internet

439K sub.

Of which 84% Fiber subs.

Partner TV

207K sub.

Business Solutions

Leading service provider

Equipment

One stop shop in various channels and broad deployment

Partner Power

Electricity supply for private & business customers

Our Approach

Simplicity

Simplicity in our day-to-day activity enables us, among other things, to focus on operations that secure sustainable growth and improvement in agility

Access anywhere 24/7

5G upgrade and development positioned at the technological front; Providing fiber access through independent infrastructure and third-party infrastructures; Leveraging these capabilities to provide tailored-made solutions to business customers

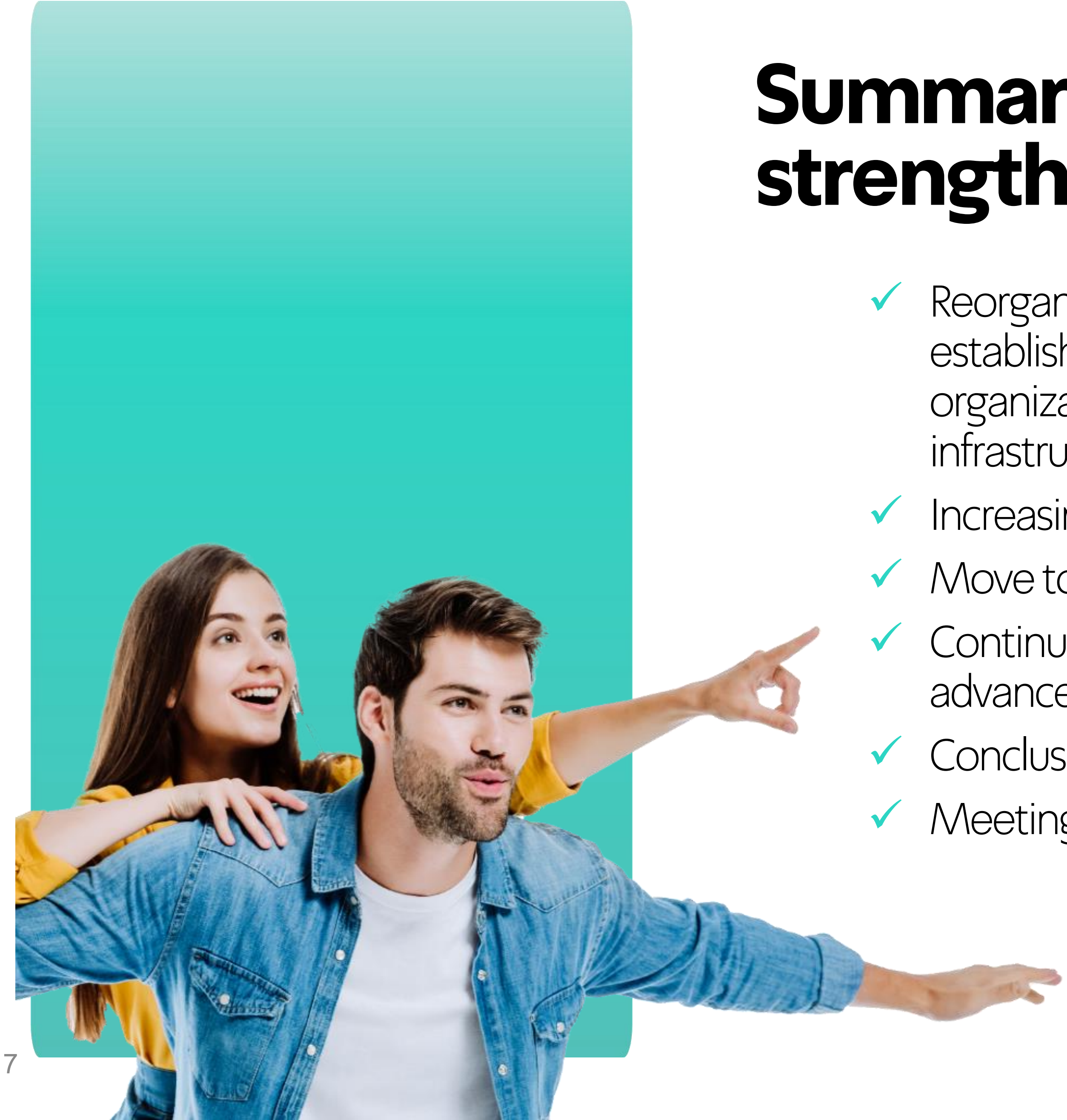
Excellent service

Constant and uncompromising improvement in service provision along with complete match of our solutions to the needs of existing and potential customers

Continued optimization

A relentless effort to improve operational excellence with the backing of technological developments and solutions

Partner 5G



Summarizing a year of strengthening and improvement

- ✓ Reorganization of the company's activities: Re-examining focuses, establishing and expanding operational excellence, adjusting the organizational structure and strengthening the engineering infrastructure and IT systems
- ✓ Increasing marketing efforts in the 5G and fiber worlds
- ✓ Move to a value model in cellular
- ✓ Continued focus on fiber and substantial IRU installments schedule advances
- ✓ Conclusion of the independent fiber deployment
- ✓ Meeting the challenges of the "Iron Swords" war

Focus on value expected to continue

Major points for 2024

- Acceleration of 5G deployment together with the launch of 5G SA network core
- Focus on cellular value packages including 5G
- Growth in fiber subs,
- Completion of fiber infrastructure aimed at international communications providers
- Focus on improving financial results in TV
- Resume growth tracks in equipment sales activity
- Continued growth in data and integration services for the business sector
- Digital transformation

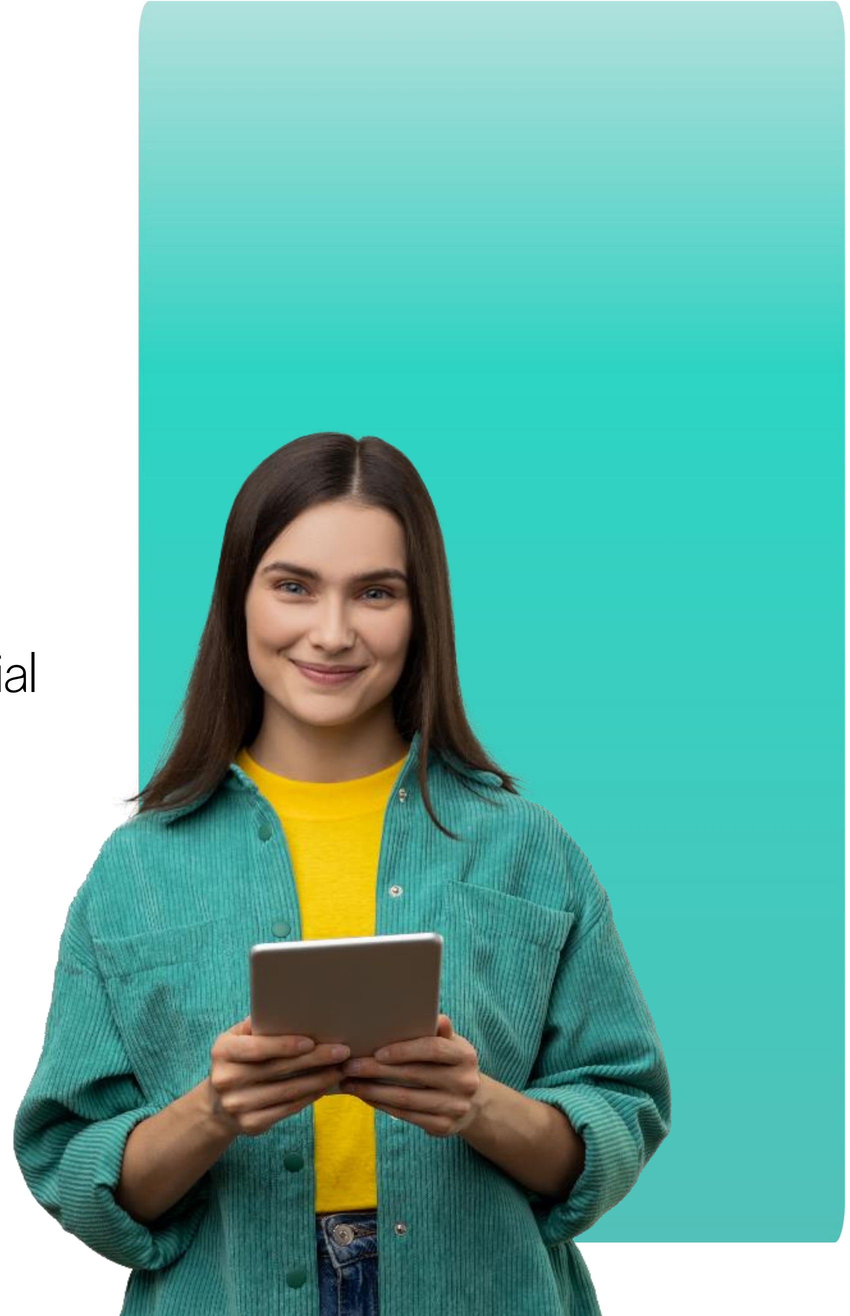
Outlook

- Assuming that the damage resulting from the war will be similar to that measured so far, the decrease in the Company's profit (before tax) from roaming services, for each month of the war, is estimated in the rage of approx. NIS 5 million to NIS 10 million. It is also expected that the Company will recognize social security proceeds in various amounts which will derive from the scale of the Company's employees drafted into reserve duty.

- In 2024, Cash CAPEX will decrease and amount to approximately NIS 550 million, compared to approximately NIS 656 million in 2023, and this is, among other things, due to the completion of the deployment of our independent fiber optic network to households at the end of year 2023. The Company will report, as needed, deviations of ± 10% or more from the amount specified above

5G is expected to support the continued growth of the cellular sector

- Deployment enabling a 5G experience in designated geographic areas
  - Population coverage of approximately 70% at the end of 2023
  - Focus on decreasing coverage gaps within the cities
  - Transition to a 5G SA core system is expected to maximize potential utilization
  - Acceleration of 5G sites deployment
- A value proposition supporting the increase in revenue from services
- Potential for opportunities in Private Networks
- M2M potential in the future as IOT devices increase



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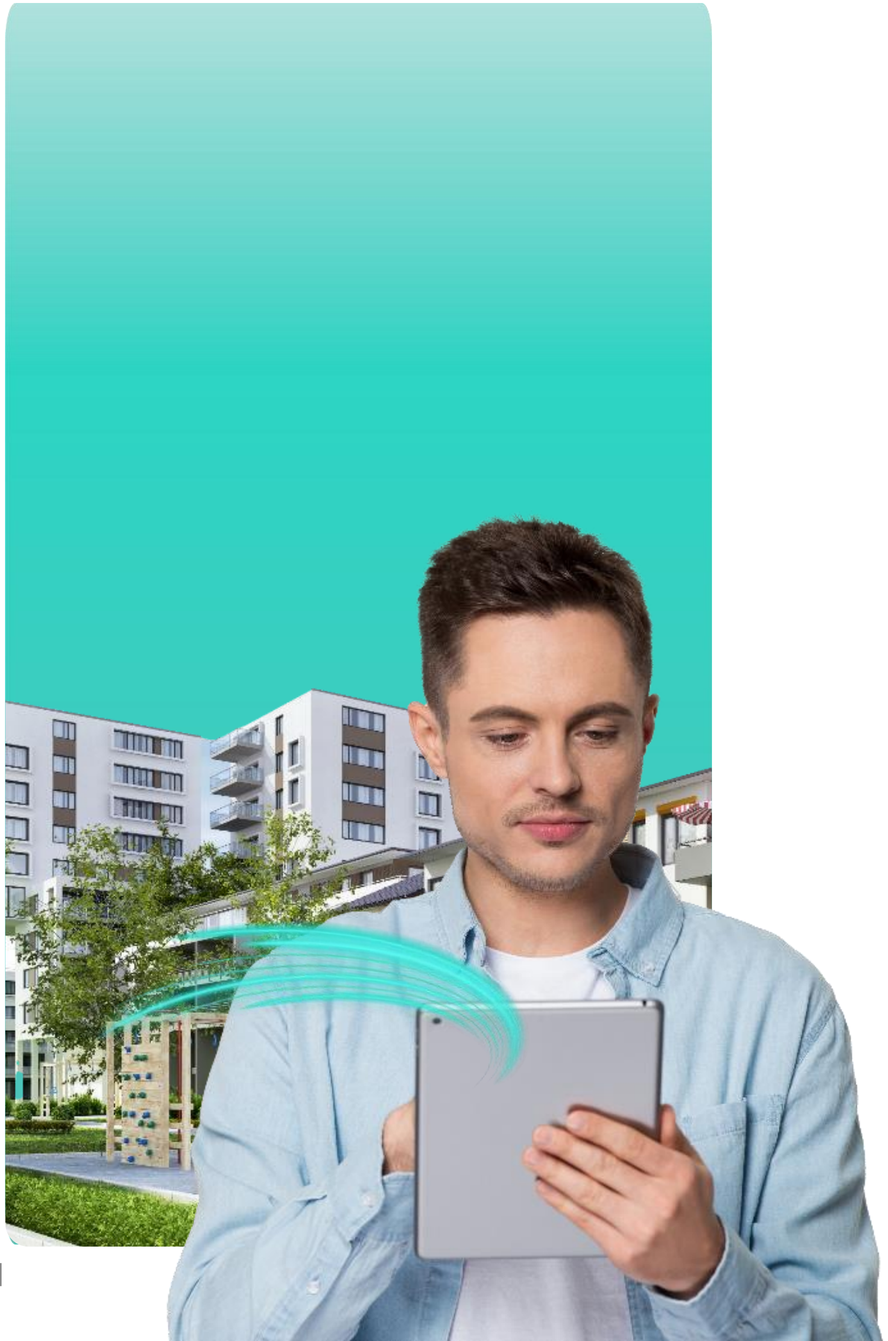


The only provider that benefits from access to the three Israeli fiber infrastructures

- Maximum flexibility thanks to the ability to offer fiber services based on Partner's independent infrastructure, Bezeq's fiber infrastructure and IBC's fiber infrastructure
- Fiber subs. growth to continue while leveraging our options to connect to three infrastructures and optimize costs at the customer level
- In 2023 our independent fiber deployment was concluded, with the achievement of approx. 1.1 million households connected
- IRU* agreement with Bezeq for 120 thousand non-specific fiber optic lines for 15 years has proved itself as a sustainable growth engine for the fixed-line segment. The agreement includes, among other things, extension options, payment distribution mechanisms, linkage and price protection

* indefeasible and irrevocable right of use

Partner 5G

On track with deployment of an infrastructure aimed at the international communications market

- Laying the local infrastructure for durable communications and data transfer services between the Far East/Gulf countries and Europe
- An alternative route from Haifa to both Eilat and King Hussein Bridge crossing with Jordan
- An innovative and practical solution to the problem of potential cable damage from passing ships in the Suez Canal as well as mitigating geopolitical dependencies
- First fiber delivery for such services expected in the course of 2024
- Potential for additional agreements

Partner TV

- Focus on Super Aggregator strategy, with traditional TV services (linear channels, VOD, etc.) included
- Partnership with Netflix (including unique TV bundle offering)
- Offering comprehensive channels & add-on packages for sports fans (Sport 1, Sport 5, ONE)
- A flexible content cost model that includes, among other things, revenue sharing with content providers
- Potential revenue growth from additional revenue sources such as programmatic advertising
- Focus on improving financial results

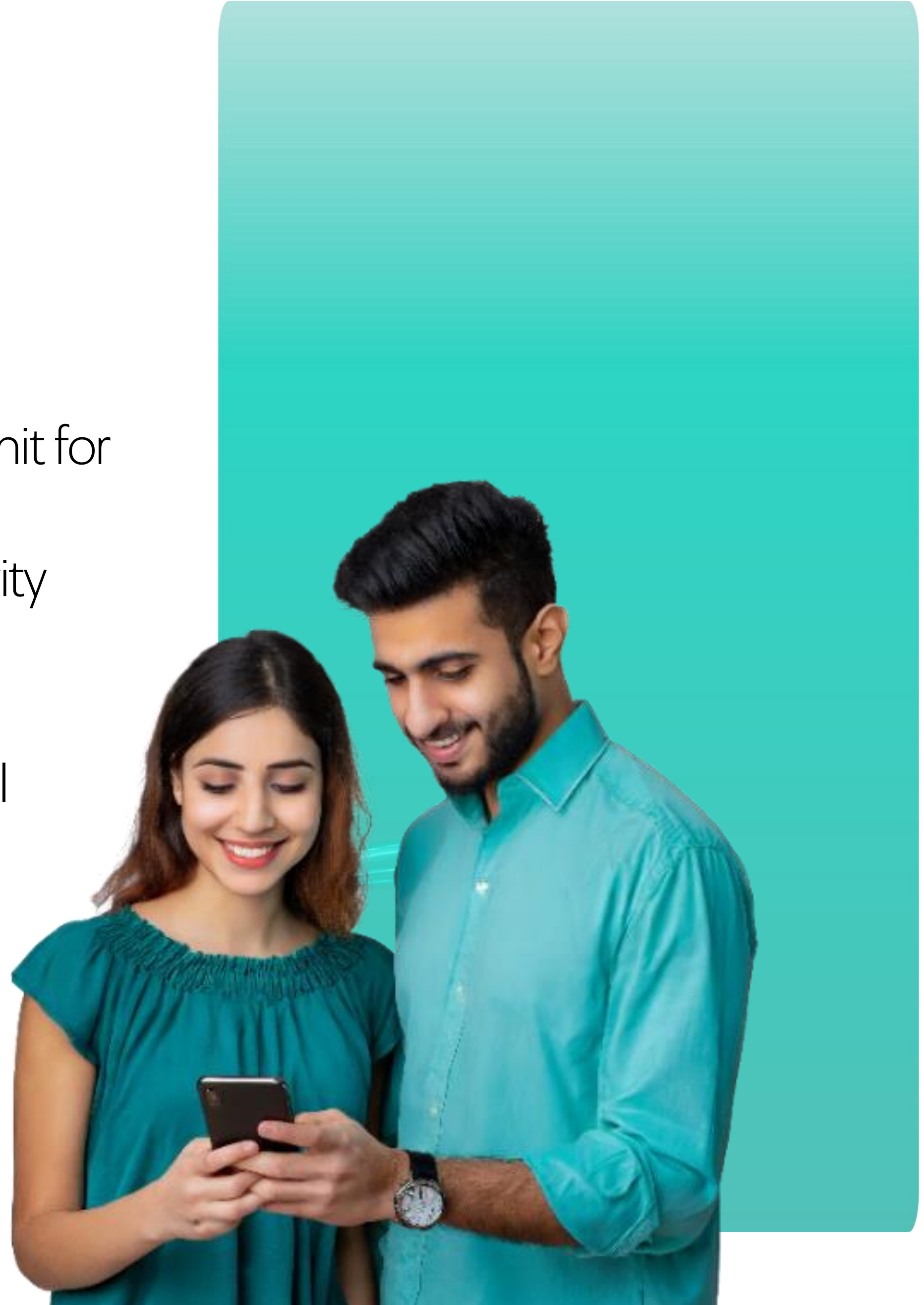
Business Solutions growth engines

- Expanding our share of the client's communication solutions mix
- Offering a basket of integrated cellular, fixed-line and equipment solutions under one roof
- Focus on continuing to increase revenue from data services for businesses
- Growth in revenues from integration services
- Continued utilization of the processes in the interfaces with the customer's premises

Partner 5G

Milestones in Equipment activity׳s potential fulfillment

- Achieving efficiency and flexibility through the creation of a single unit for trade activity and equipment
- Focus on selling equipment that matches the company's core activity
- Creating value for customers through repair service packages and providing favorable trade-in offers
- Constant improvement of the points of sale, including geographical layout and mix of formats
- Deepening commercial cooperations
- Taking in hand operating costs



Partner 5G

Entering the electricity supply market for private & business customers

- The electricity market for the home consumer is expected to grow due to increasing changes in consumption habits
- Growing awareness of the public along with an ever-increasing scope of smart meters provide an opportunity to leverage the company's sales and service capabilities
- In February 2024, a contract was signed with OPC Energy, a leading energy producer in the electricity sector in Israel, for the purpose of supplying electricity to Partner consumers
- In March 2024 the service for private customers was launched
- The value for Partner's customers – cost savings and receiving all their communication services – fiber optic internet, 5G cellular and television – and electricity service, from one company

Partner 5G

ESG Partner in numbers 2023

68%

of our employees volunteer, incl. "Iron Swords" war-related activity

3.5%

of our employees are people with disabilities

Extensive social activities that create value

with "Or Lamishpachot", IDF fighting regiment, for the security forces, the youth movement "Krembo Wings, "Latet" organization etc'

50%

of our senior management positions are held by women

10

"Platinum Plus" rating in the Maala ESG Index of Corporate Social Responsibility

~2.2M ILS

was allocated to corporate social responsibility issues

41%

of the Company's entire fleet are efficient hybrid & electric vehicles

52% as of February 2024

47%

of our workforce are women

44%

of our management positions are held by women

Partner 5G

Financial overview

Q4 2023 & FY 2023

Partner 5G

Operating and Financial Highlights

2023 vs. 2022

Cellular subs. (thousands)

2,644 — -100K

Decrease due to decrease of 77K in Prepaid subscribers base and decrease of 23K in Postpaid subs.

ARPU ex. Interconnect charges (NIS)

42 — + NIS 3

Increase mainly due to the impact of Q4'22 change in subs. counting logic

Fiber-Optic subs. (thousands)

369 — +82K

Within the increase: 8k Partner's infrastructure subs. & 74k Other based fiber infrastructure subs.

TV subs. (thousands)

207 — -13k

Service Revenues ex. Interconnect charges (NIS, million)

2,439 — +51M

Adjusted EBITDA (NIS, million)

1,052 — -5M

Net Profit* (NIS, million)

163 — -7M

Adjusted FCF (NIS, million)

143 — +6M

2023 results were impacted by the growth momentum in fiber and in data services for businesses and by a decrease in gross profit from equipment sales and a decrease in revenues from roaming services due to the impact of the "Iron Swords" war

*Comparison to results before the impact of Q4'22 impairment charge. Including the charges – Net loss in 2022 was NIS 100 million

Operating and Financial Highlights

Q4'23 vs. Q4'22

Cellular subs. (thousands)

2,644 -100K

Decrease of 11k in the Quarter due a decrease in prepaid subscribers base

ARPU ex. Interconnect charges (NIS)

41

Increase in revenues per sub. In service packages was offset mainly by a decrease in revenues from roaming services

Fiber-Optic subs. (thousands)

369 +82K

Increase of 16k subs. in the quarter, of which: 1k Partner's infrastructure subs. & 15k other based fiber infrastructure subs.

TV subs. (thousands)

207 -13k

Decrease of 3k in the Quarter

Service Revenues ex. Interconnect charges (NIS, million)

594 -7M

Adjusted EBITDA (NIS, million)

252 +4M

Net Profit* (NIS, million)

25 -8M

Adjusted FCF (NIS, million)

-59 -79M

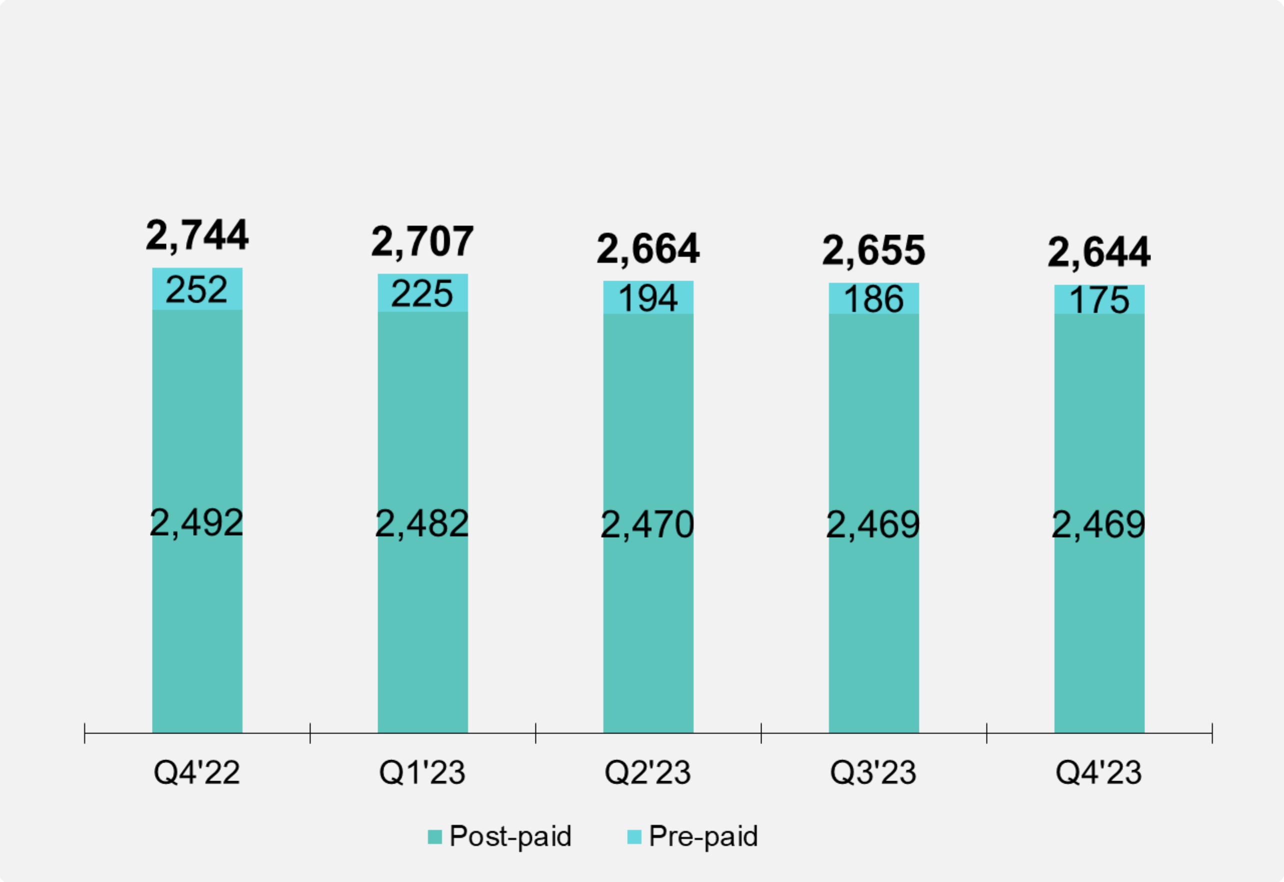
Quarterly results were impacted by the increase in fiber and by a decrease in several expenses items which were offset by the war impact on revenues from roaming services

*Comparison to results before the impact of Q4'22 impairment charge. Including the charges – Net loss in Q4'22 was NIS 237 million

Cellular Subscribers

(EOP, '000s)

Change in Subscriber base for the quarter and full year was due to the company's focus on value packages in Post-paid and profitability improvement measures in Pre-paid activity



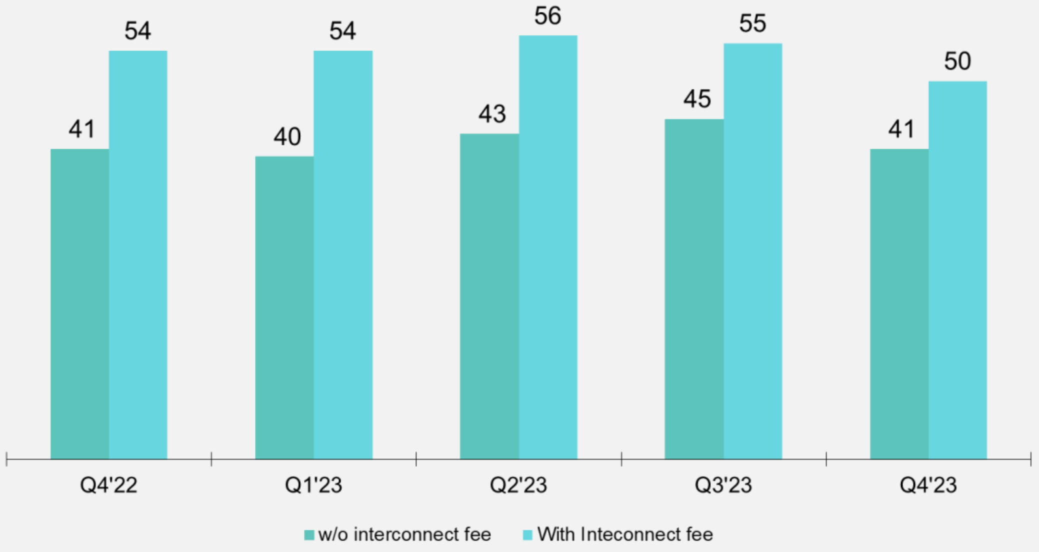
Cellular ARPU

(₪)

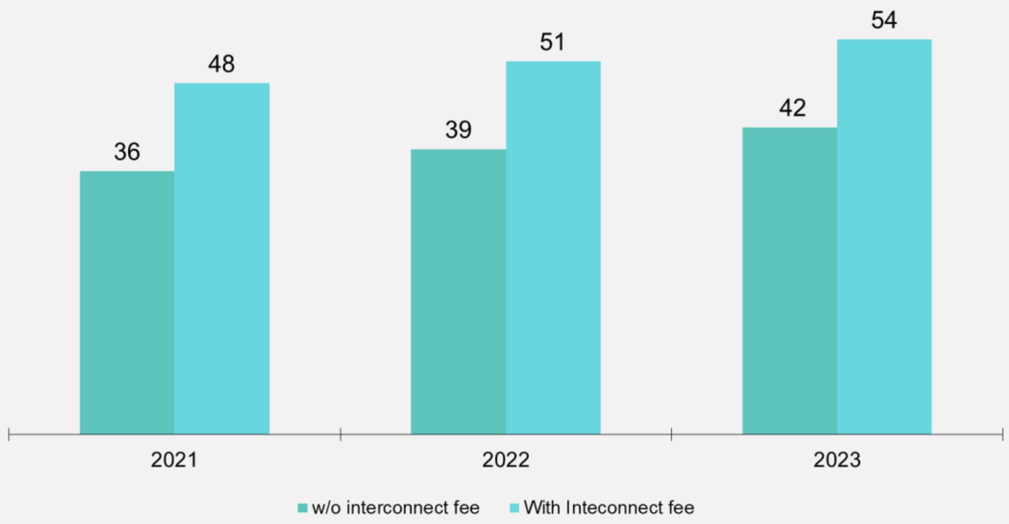
Excluding Interconnect charges, compared to the corresponding quarter, the stability mainly reflects the impact an improvement in revenues from packages offsetted by the war impact on revenues from roaming services

Excluding Interconnect charges, most of the increase in 2023 resulted from the impact of subs. deduction in Q4'22 and the rest mainly reflects an improvement in revenues from Postpaid packages

Quarter



Period



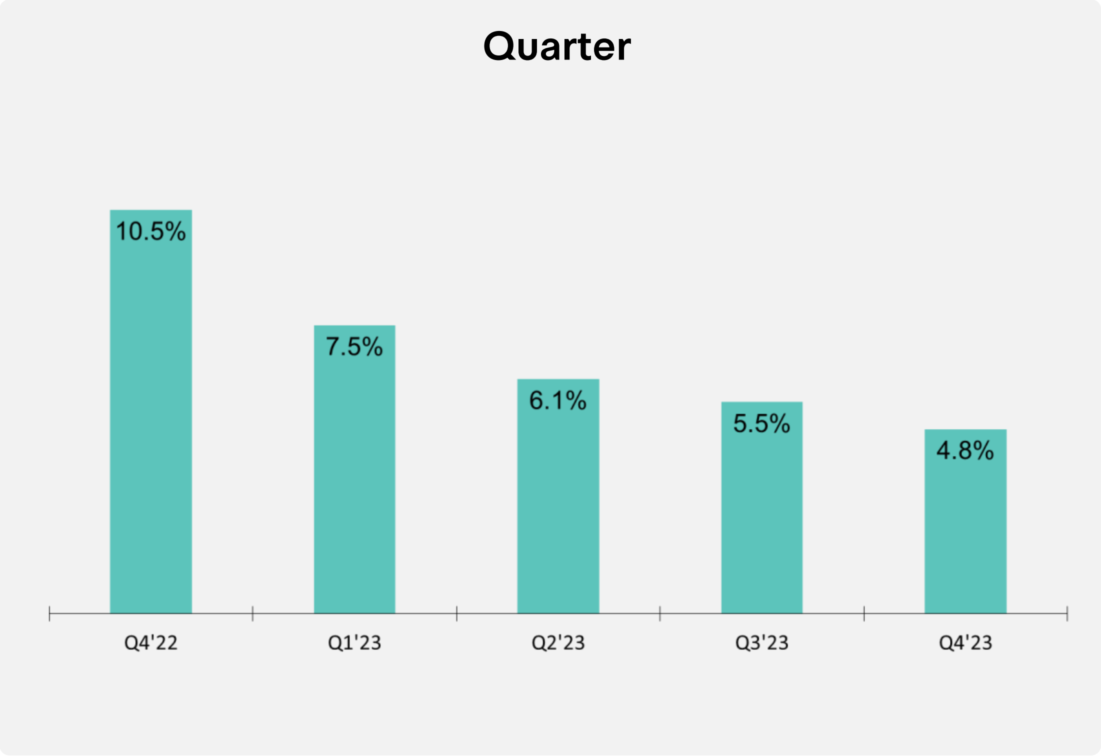
Starting from the fourth quarter of 2022, approximately 189 thousand subscribers were removed from the Company's postpaid cellular subscriber list, mainly due to a change in the counting method that led to the removal of M2M subscribers (SIM cards designated for use in machines) from the list, along with the removal of several tens of thousands of regular postpaid subscribers. In addition, starting from the fourth quarter of 2022, the counting logic of prepaid subscribers was changed, which led to the removal of approx. 94 thousand prepaid subscribers.

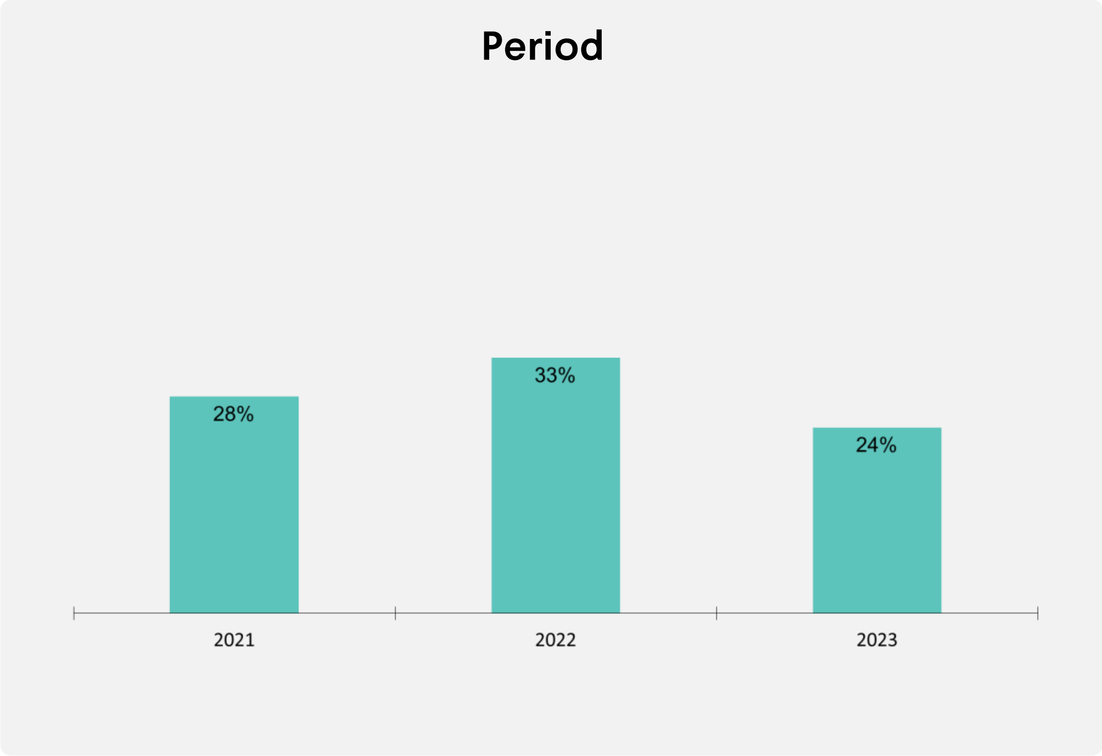
Cellular - Churn Rate

(%)

Decrease in churn rate occurred in both Post-paid and Pre-paid subscribers

Decrease in Churn rate in 2023 mainly reflects the impact of subs. counting logic change and Ministry of Education subs. churn in 2022*



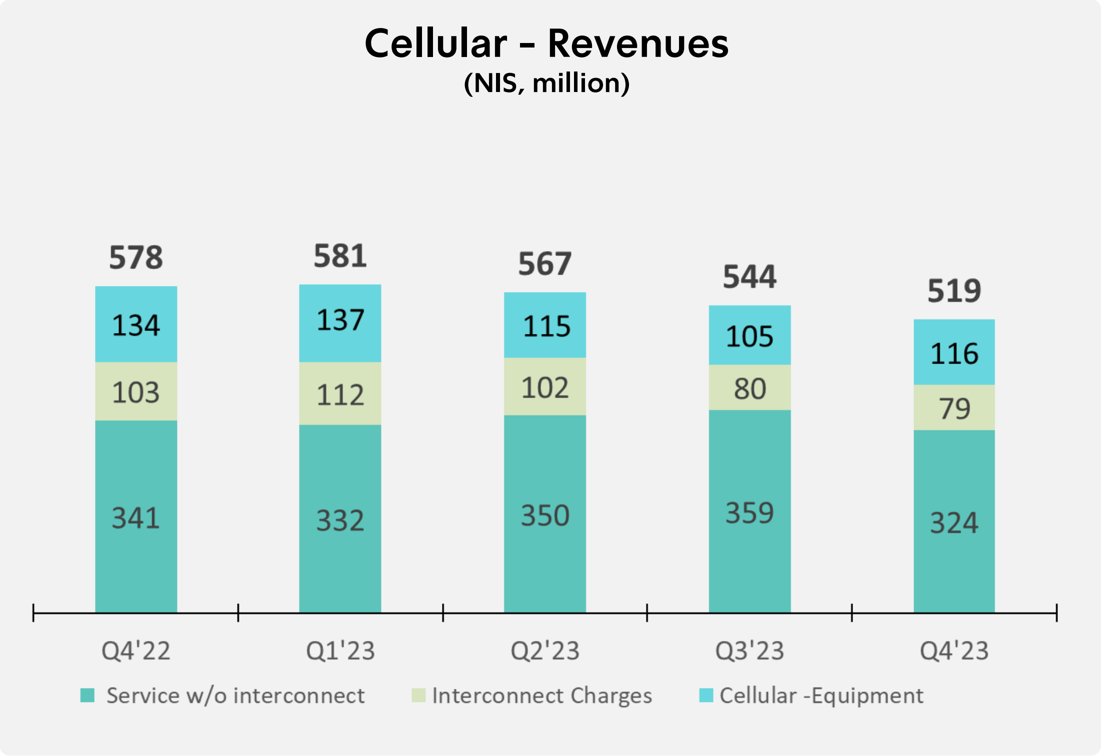


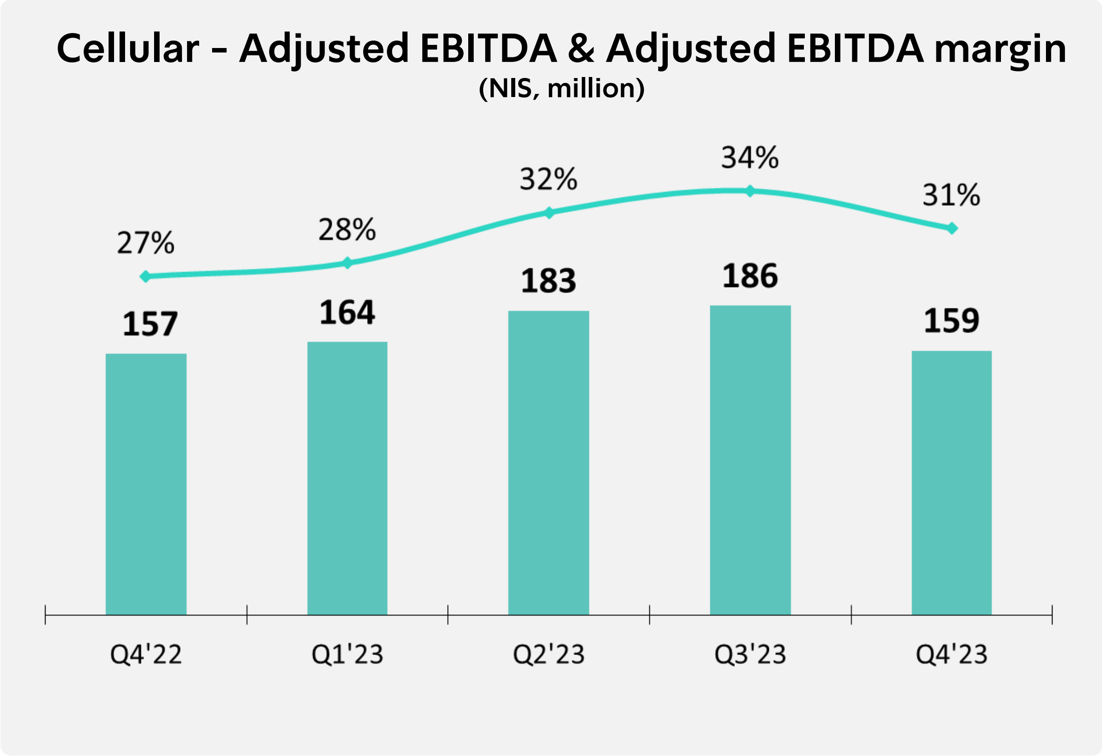
*Excluding Ministry of Education packages, Churn rate in 2022 totaled 27%

Partner 5G

Increase in Adjusted EBITDA in the Cellular segment

The increase in Adjusted EBITDA in Q4’23 relative to Q4’22 mainly reflects a decrease in salary and related expenses and an increase in revenues from Postpaid packages, which were offset by a decrease in gross profit from Equipment sales and in revenues form roaming services



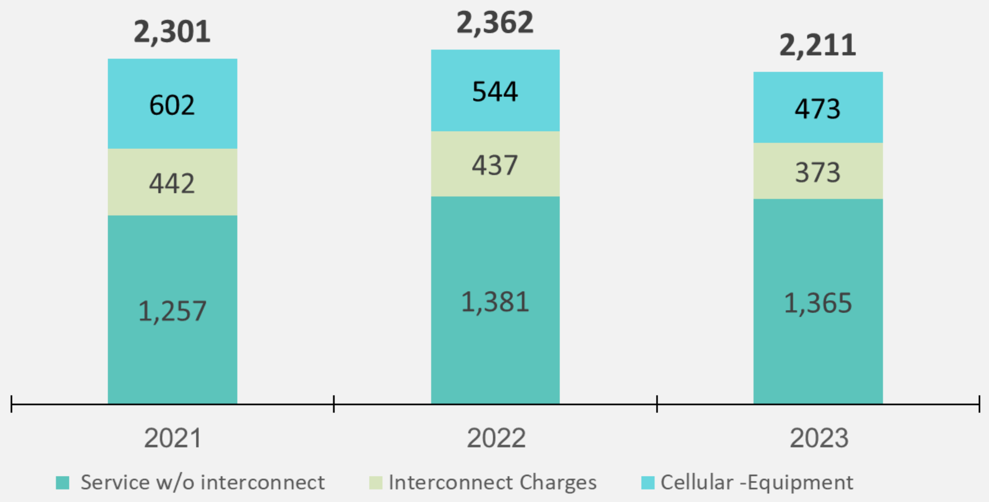


Partner 5G

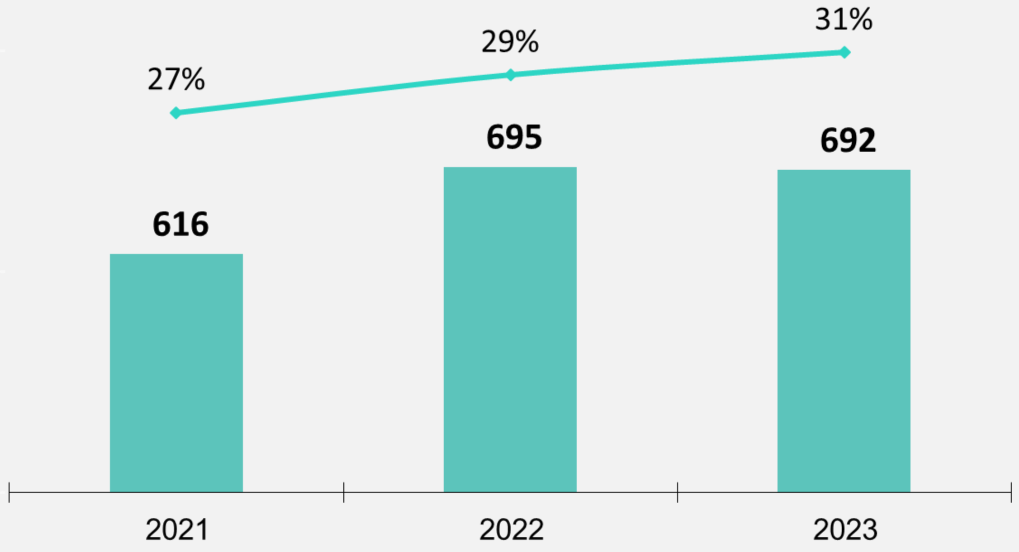
Cellular segment –FY2023

Minor decrease in Adjusted EBITDA explained mainly by a decrease in gross profit from Equipment sales and an increase in network maintenance expenses, which were offset by a decrease in inter-segment charges, in salary and related expenses and in other expense items

Cellular - Revenues
(NIS, million)



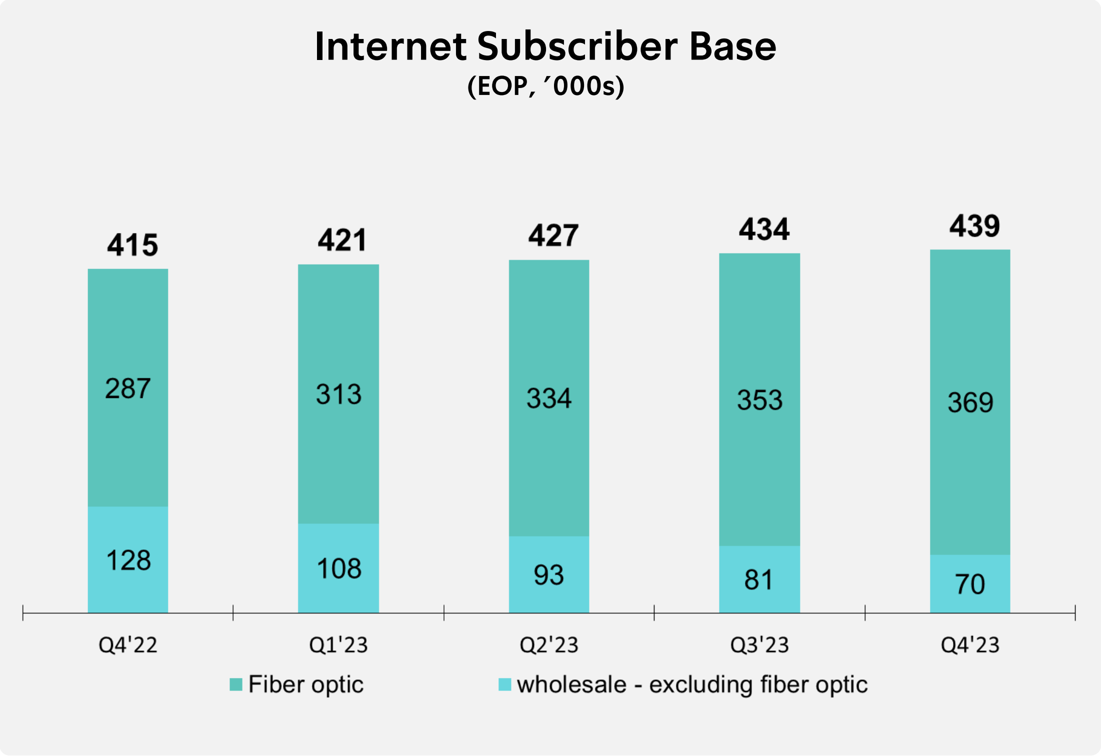
Cellular - Adjusted EBITDA & Adjusted EBITDA margin
(NIS, million)

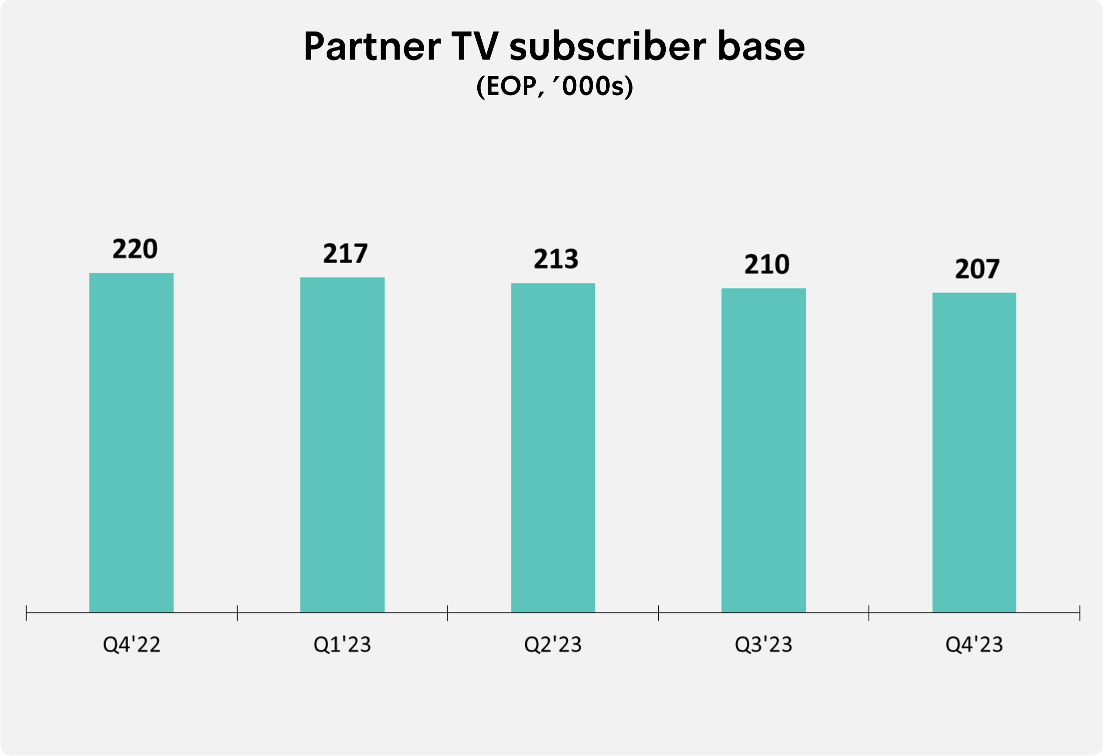


Internet & TV Subs

Approx. 84% of interned subscribers are in fiber based infrastructure

Over 80% of TV subscribers are in bundle/triple offerings (broadband based)



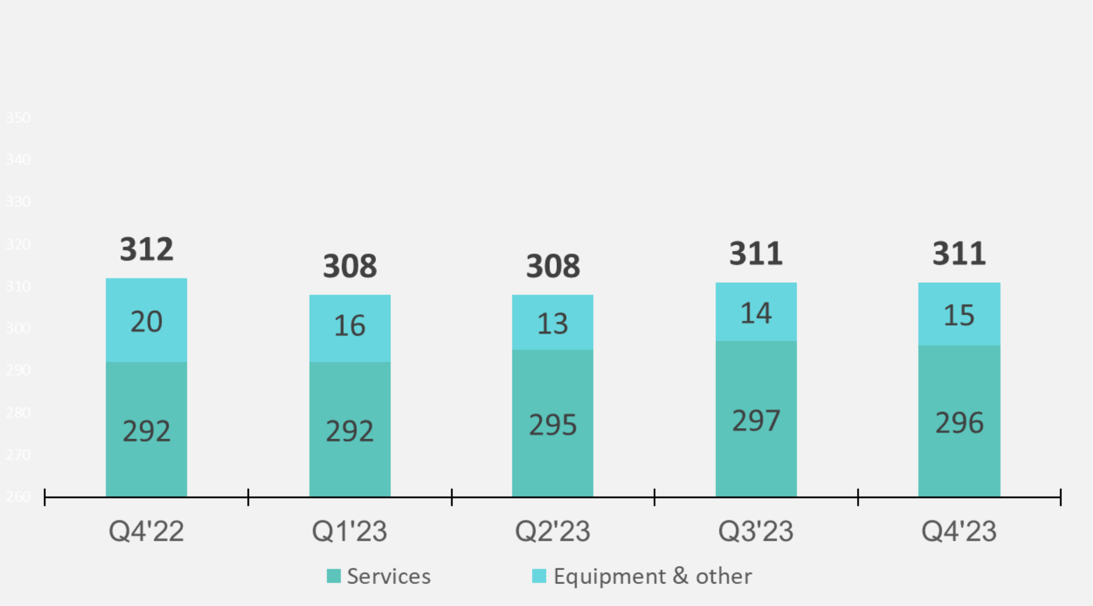


Partner 5G

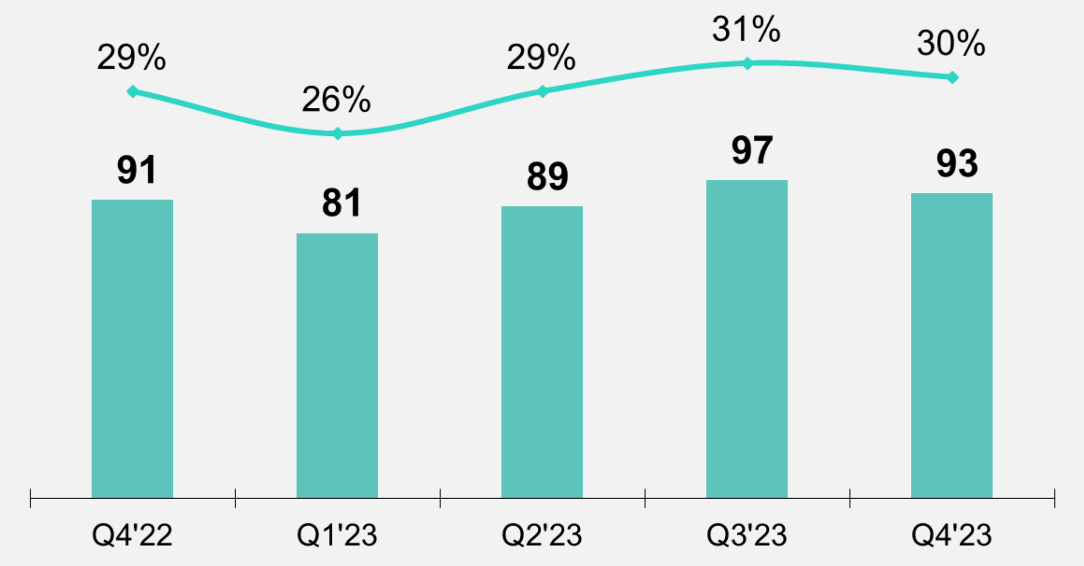
In the Fixed-line segment, an increase in revenues from internet and data services led to an increase in service revenues

Adjusted EBITDA in Q4'23 increased by 1% compared to Q4'22 as the increase in service revenues and decrease in wholesale expenses were offset by an increase in installation expenses and a decrease in gross profit from equipment & other

Fixed line - Revenues
(NIS, million)

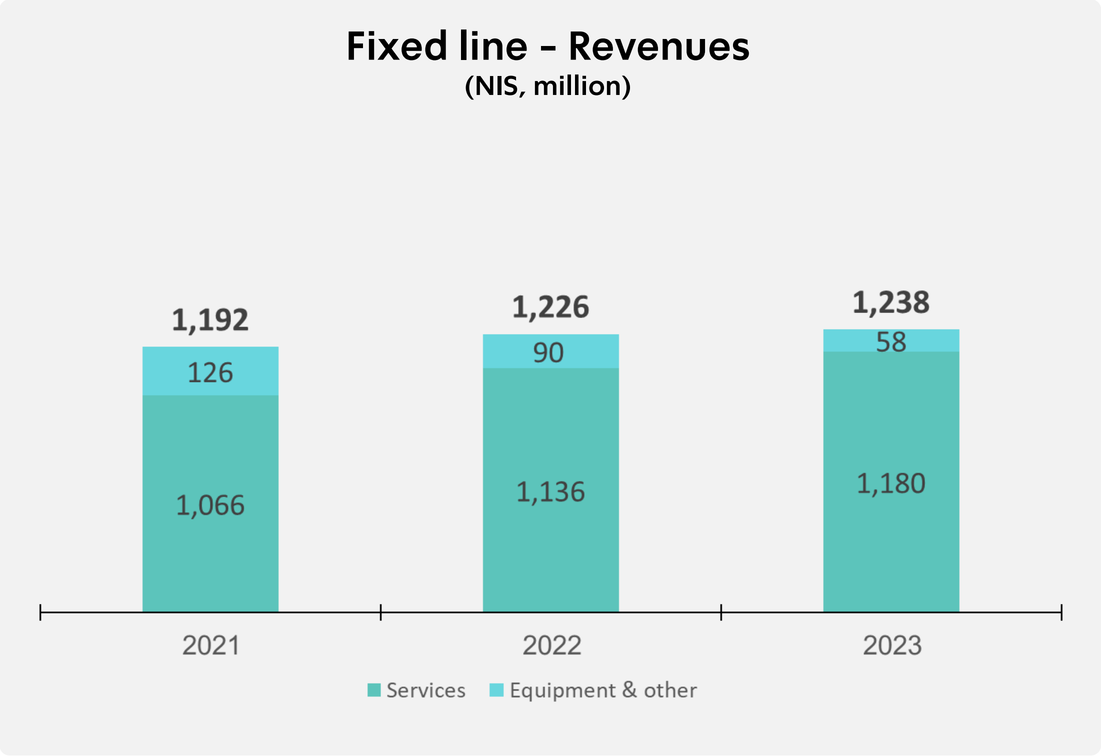


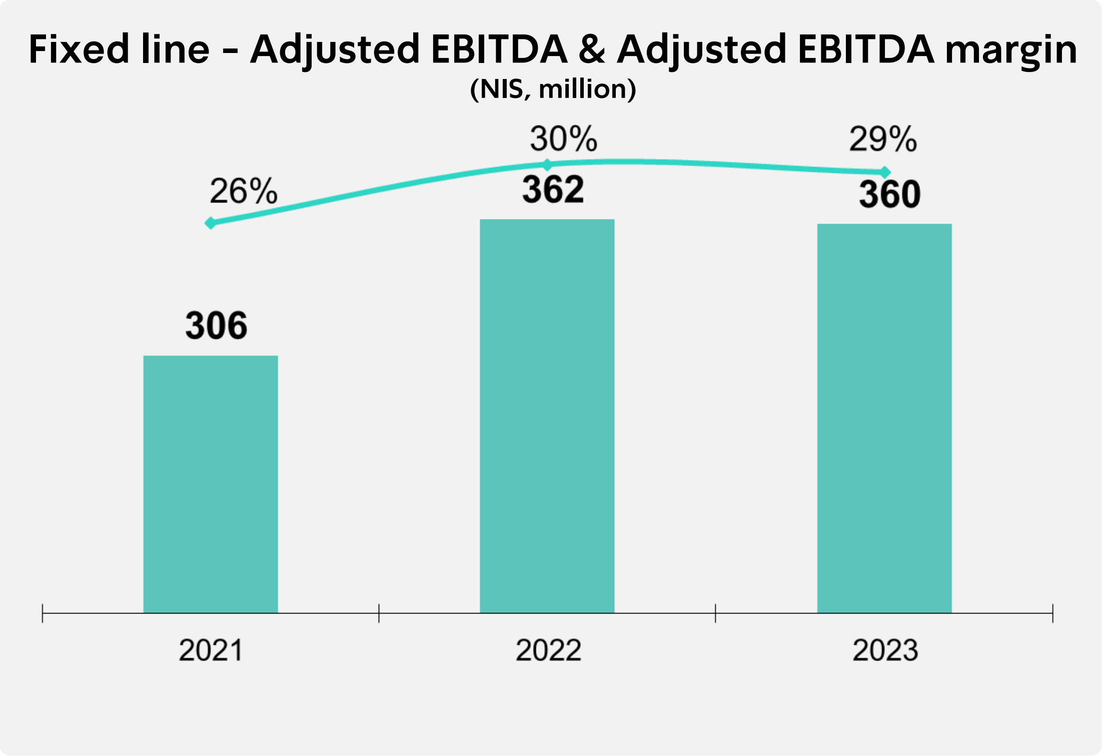
Fixed line - Adjusted EBITDA & Adjusted EBITDA margin
(NIS, million)



Fixed-line segment – FY2023

A decrease of 1% in Adjusted EBITDA mainly reflected an increase in installation expenses, a decrease in gross profit from equipment and other sales and an increase in provision for legal claims and in salary and related expenses, which were partially offset by an increase in service revenues



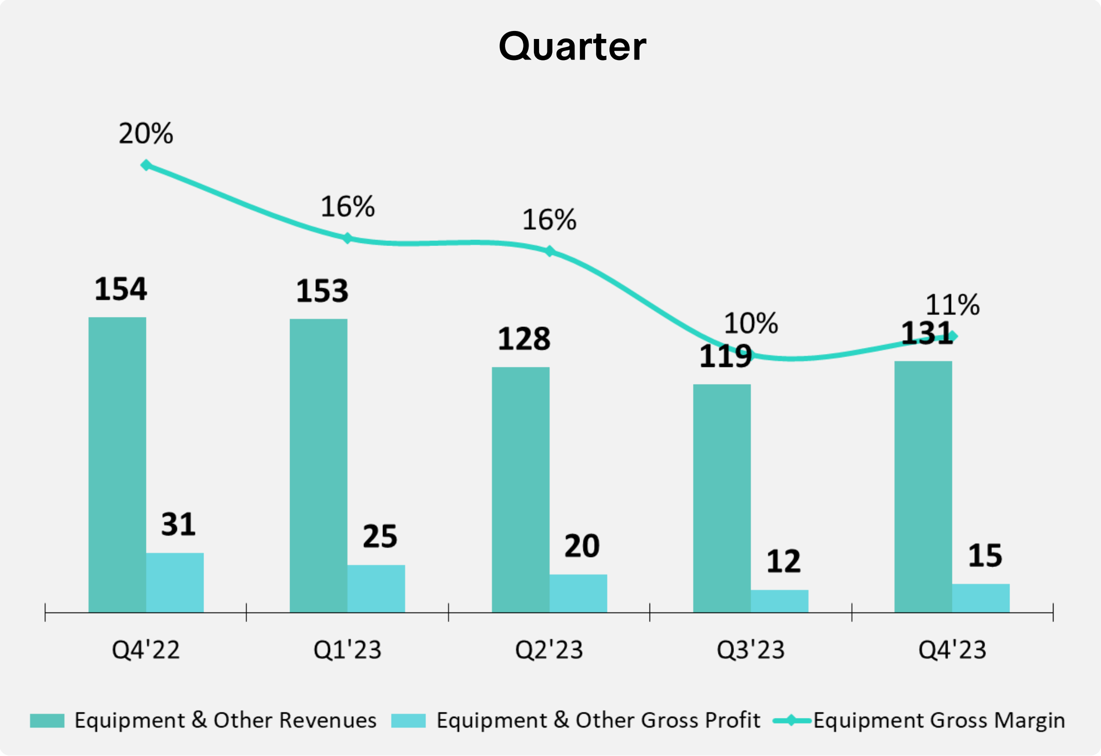


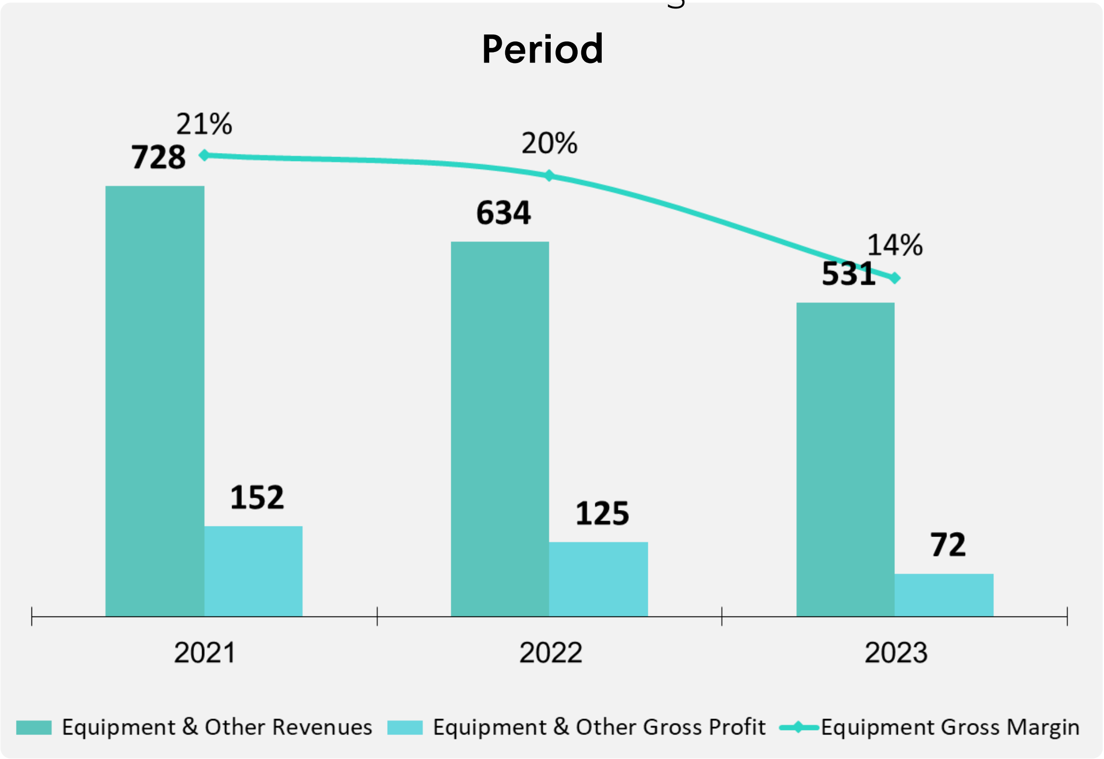
Sales of equipment and Other

(NIS, million)

Revenues from Equipment and Other were impacted mainly by a change in sales mix in the cellular segment and by the recording of revenues from the rental of fiber optics to business customers in the corresponding quarter

On an annual basis, the decrease in revenues resulted mainly due to a decrease in retail and wholesale sales in the cellular segment and due to the recording of revenues from the rental of fiber optics to business customers in the corresponding quarter and a decrease in home device sales in the fixed line segment





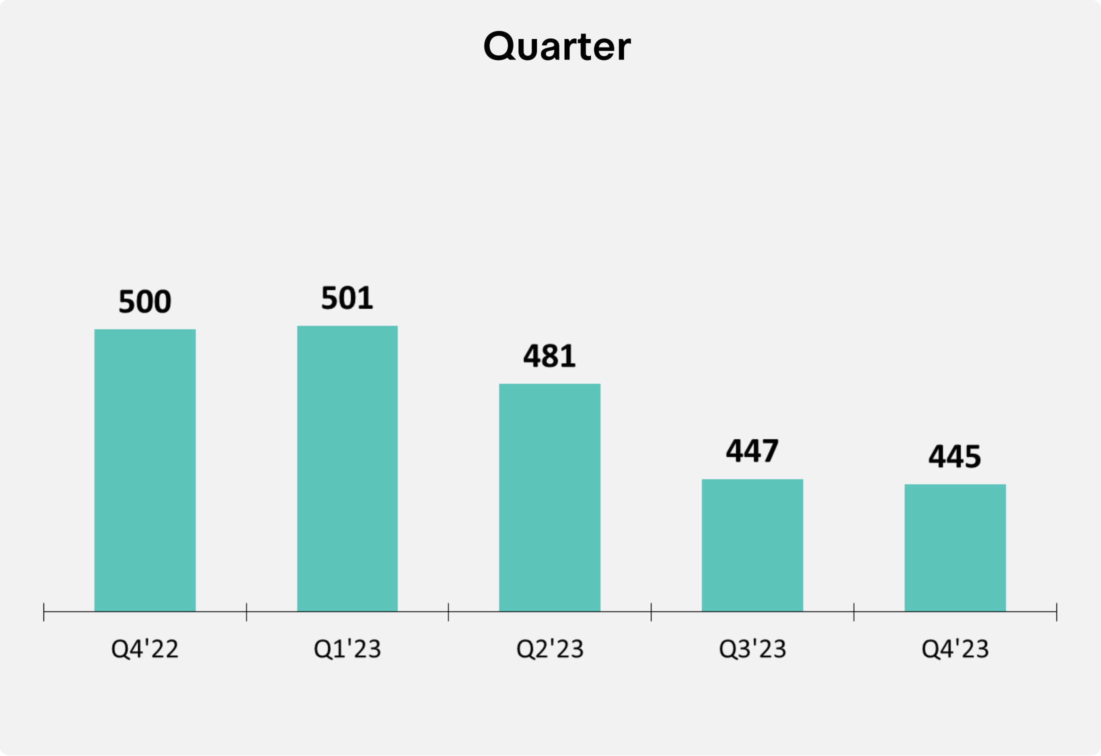
Partner 5G

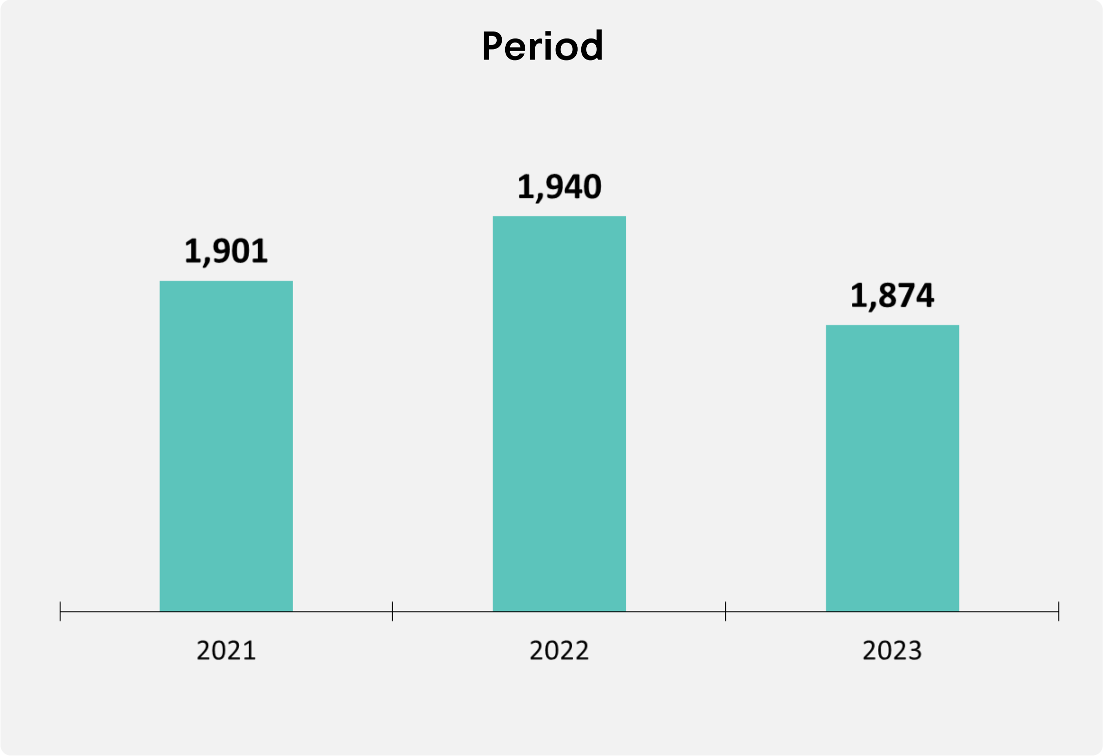
OPEX

(NIS, million)

The decrease compared to corresponding quarter was mainly due to decreases in Interconnect expenses and in several other expense items, these were partially offset by an increase in fiber installations expenses

On an annual basis, the decrease compared to 2022 was mainly due to a decrease in Interconnect expenses and in other operators payments expenses which were partially offset by increases in fiber installations expenses and in network maintenance expenses





'OPEX' represents the sum of the cost of sale of services and operating expenses (sales and marketing expenses, general and administrative expenses and credit losses/ profit) less depreciation and amortization expenses, share-based remuneration expenses for employees and capital gains/losses; OPEX is not a financial measure according to IFRS and may not be comparable to other measures with similar headings for other companies

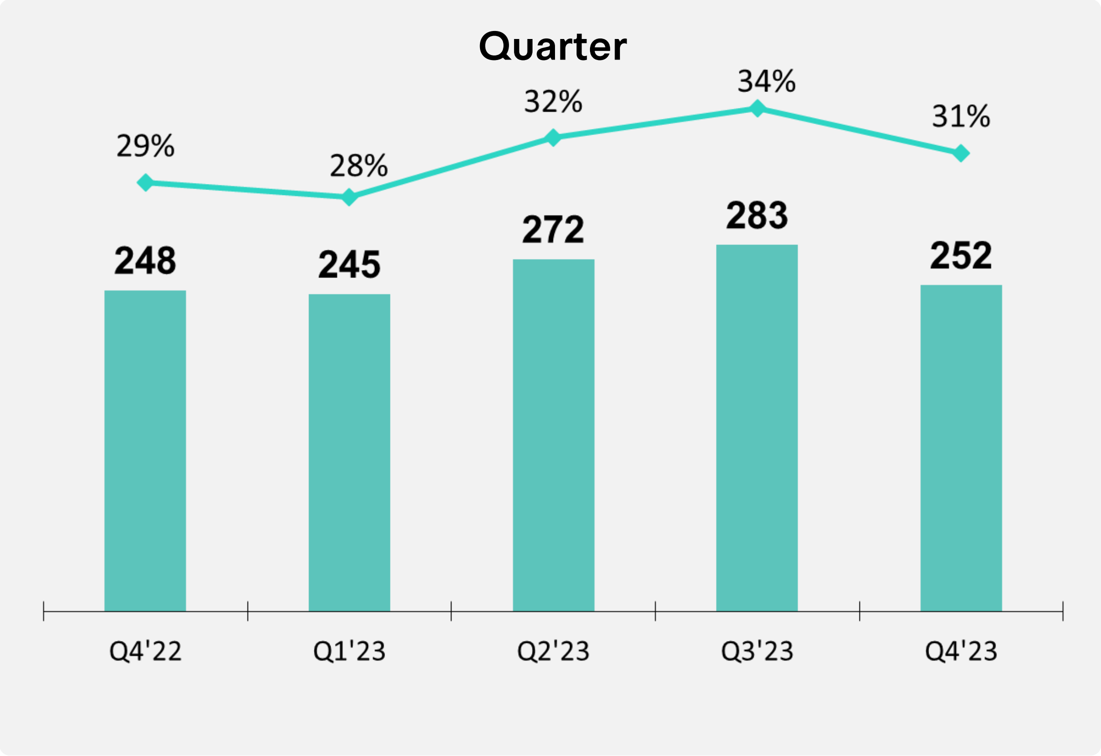
Partner 5G

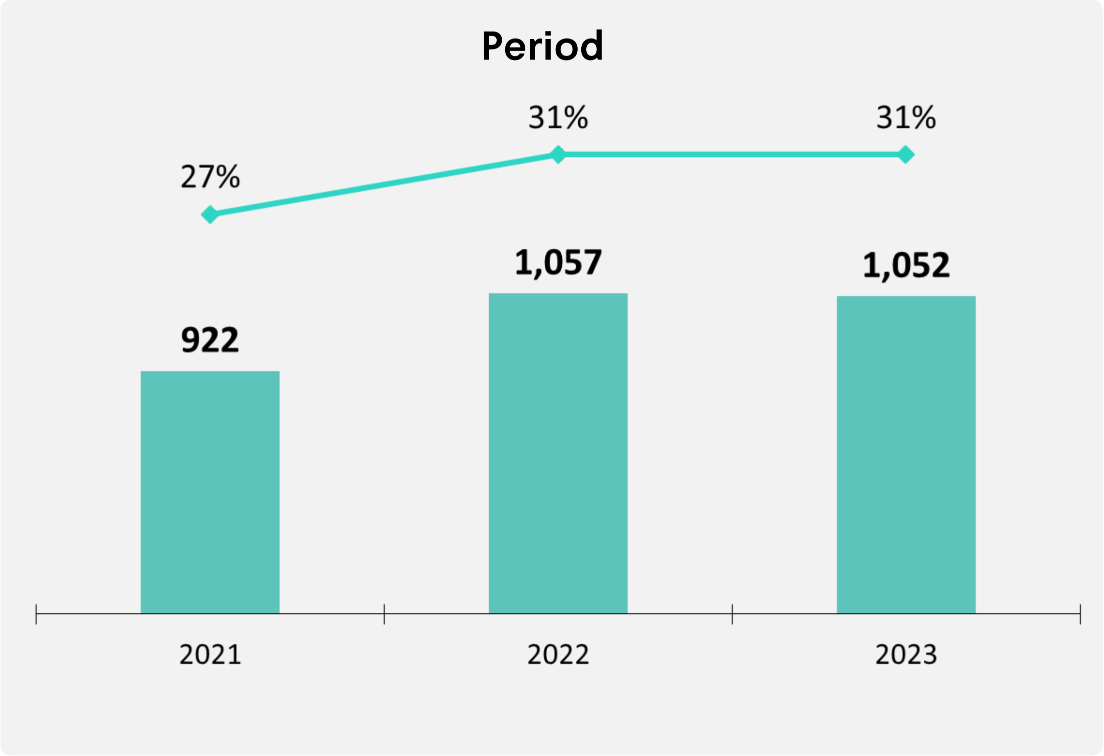
Adjusted EBITDA

(NIS, million)

Adjusted EBITDA totaled NIS 252 million in Q4'23, an increase of 2% from NIS 248 million in in the corresponding quarter

On an annual basis, Adjusted EBITDA decreased by an insignificant rate as a decrease in gross profit from equipment sales and other and a decrease in revenues from roaming services were mostly offset by a decrease in OPEX

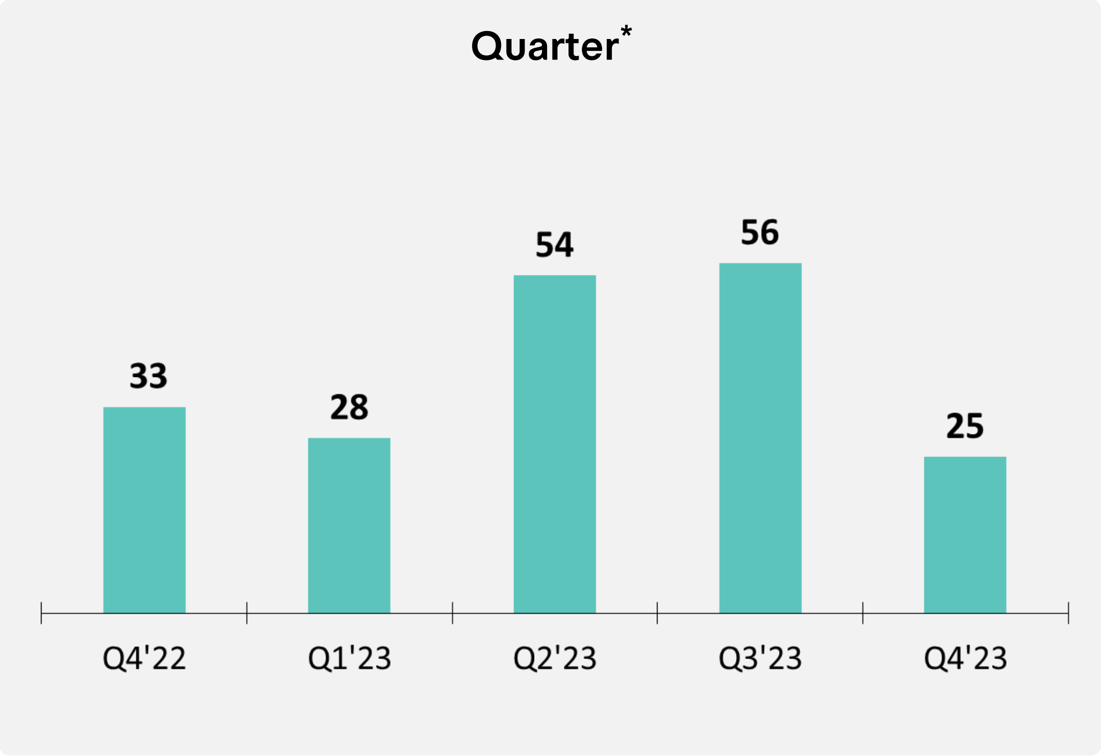


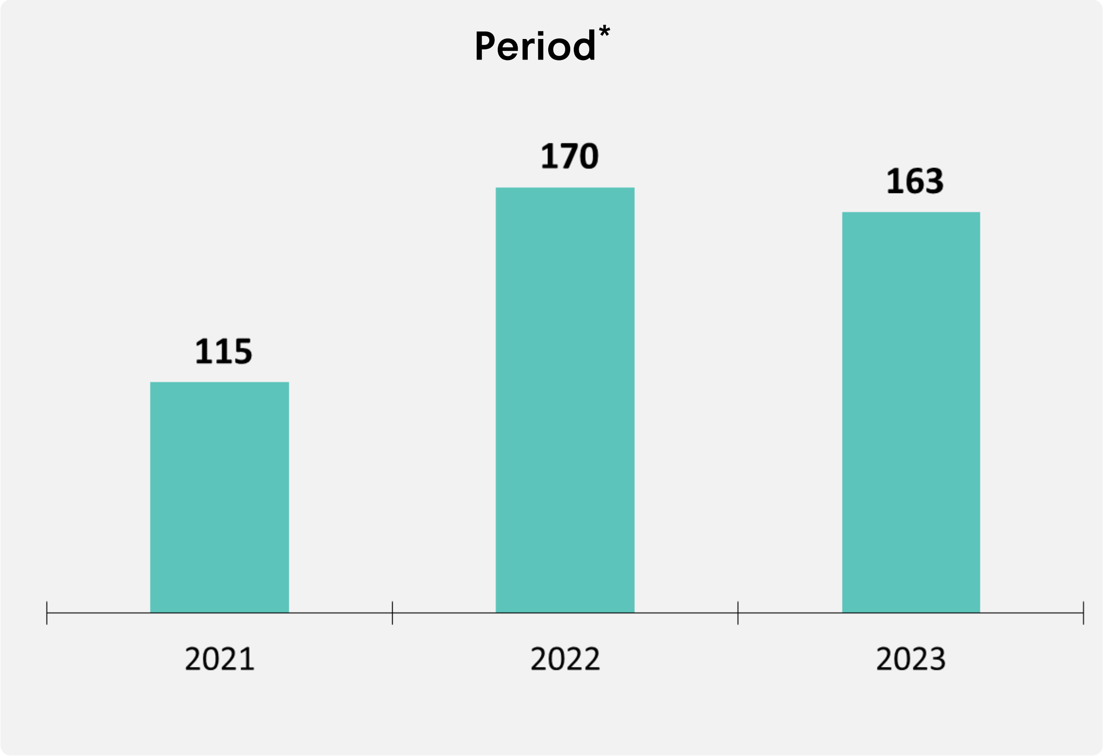


Net Profit*

(NIS, million)

Net Profit was impacted, among other things, by an impairment charge recognized in respect of off-the-shelf equipment used for fiber deployment, and amounted to NIS 25 million and NIS 163 million in Q4'23 and FY'23 respectively, compared to Net Profit of NIS 33 million and NIS 170 million, respectively, excluding the impact of impairment charges





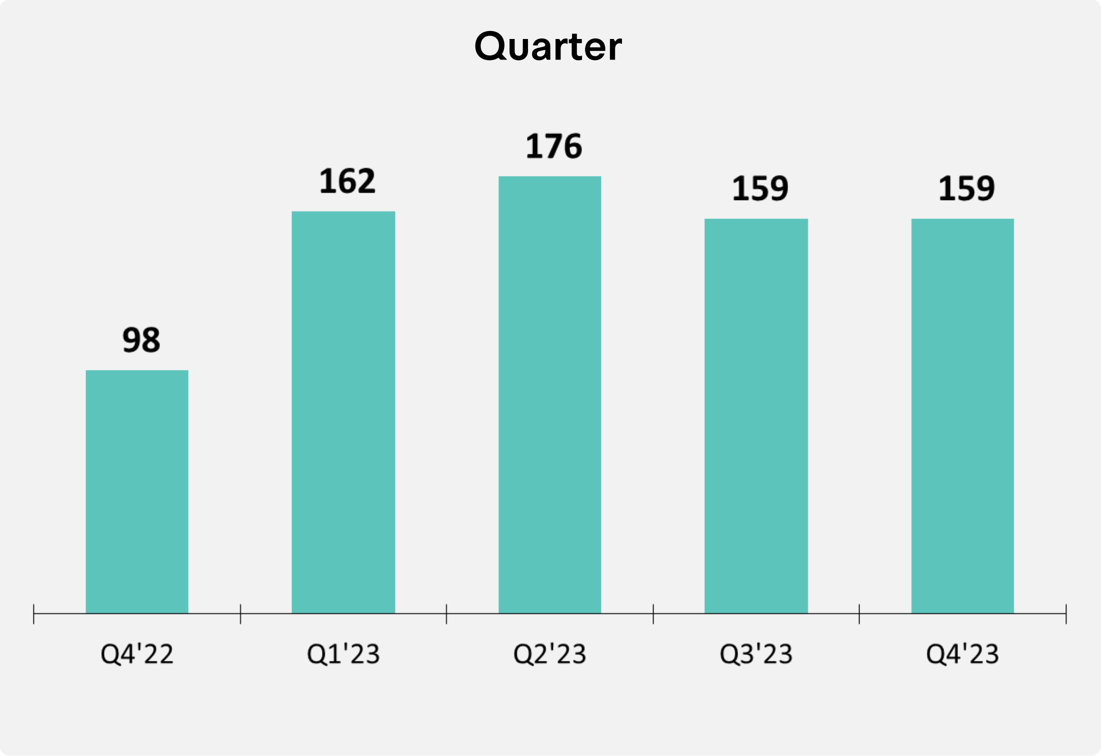
* Profit for Q4'22 and FY 2022 is before the impact of impairment charges. Including the impairment charge, net loss was NIS 237 million for Q4'22 and NIS 100 million for FY2022

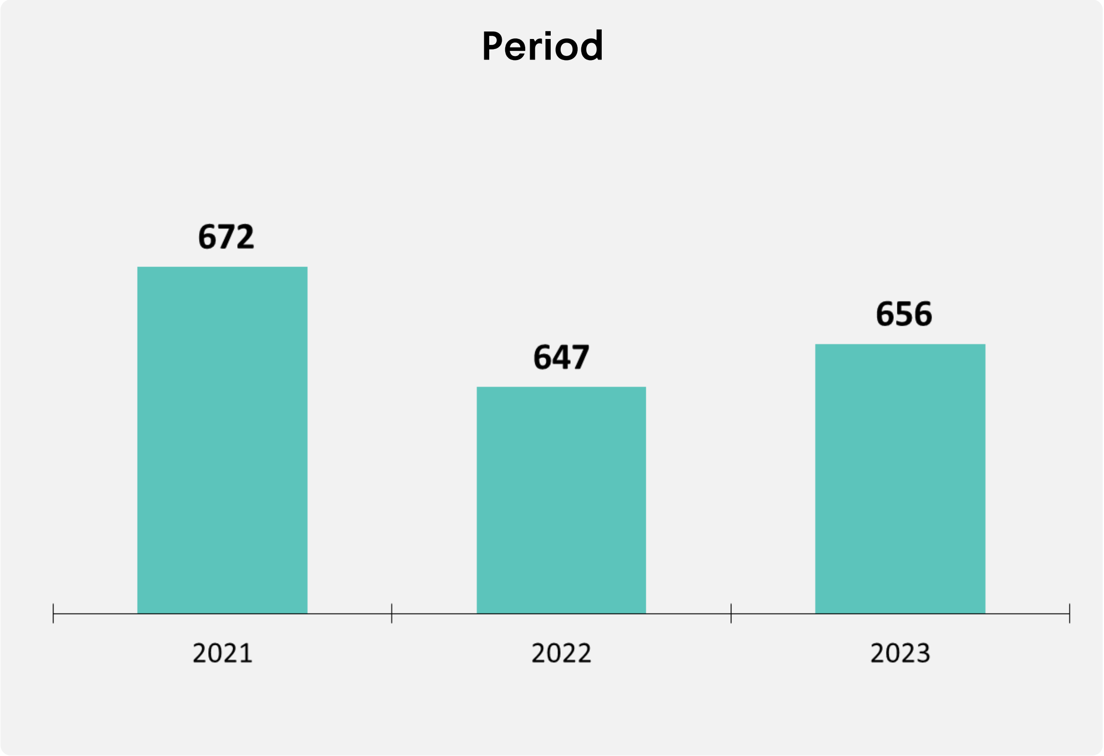
Capital Expenditures (cash)

(NIS, million)

Increase in CAPEX Payments in Q4'23 compared with Q4'22 is due, among other things, to the impact of the receival of a MOC grant in the amount of NIS 37 million for the deployment of 5G in Q4'22

On an annual basis, CAPEX Payments totaled approx. 20% of total revenues in 2023

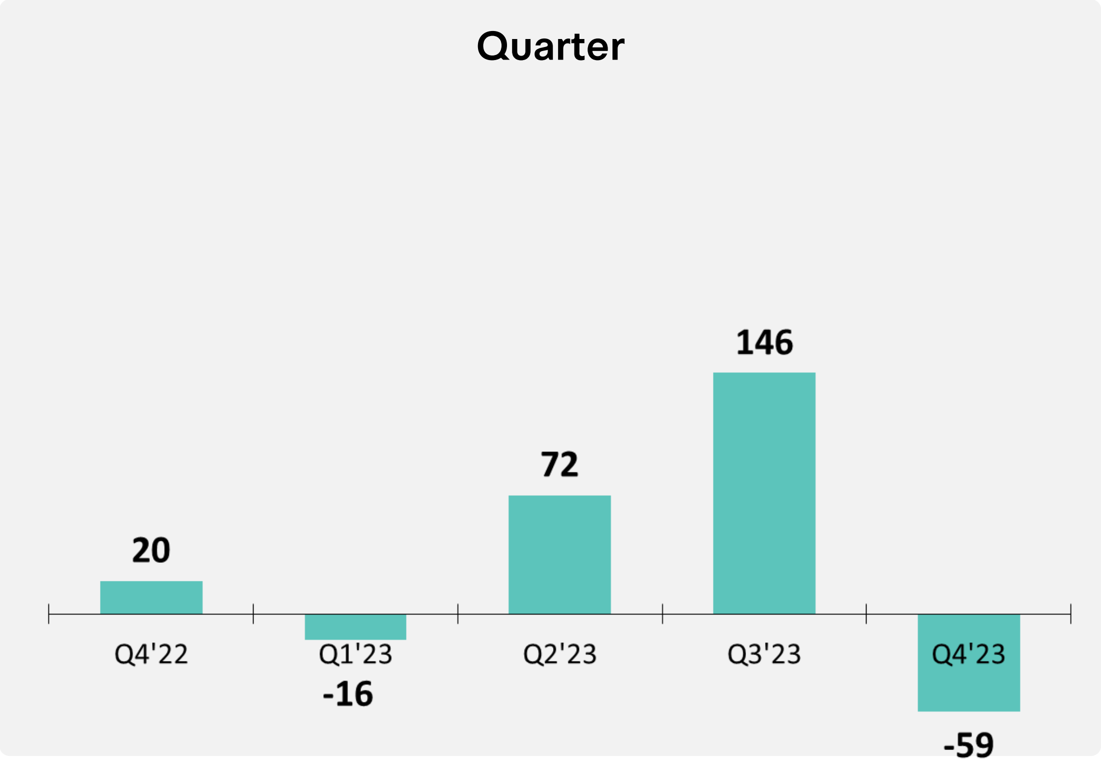


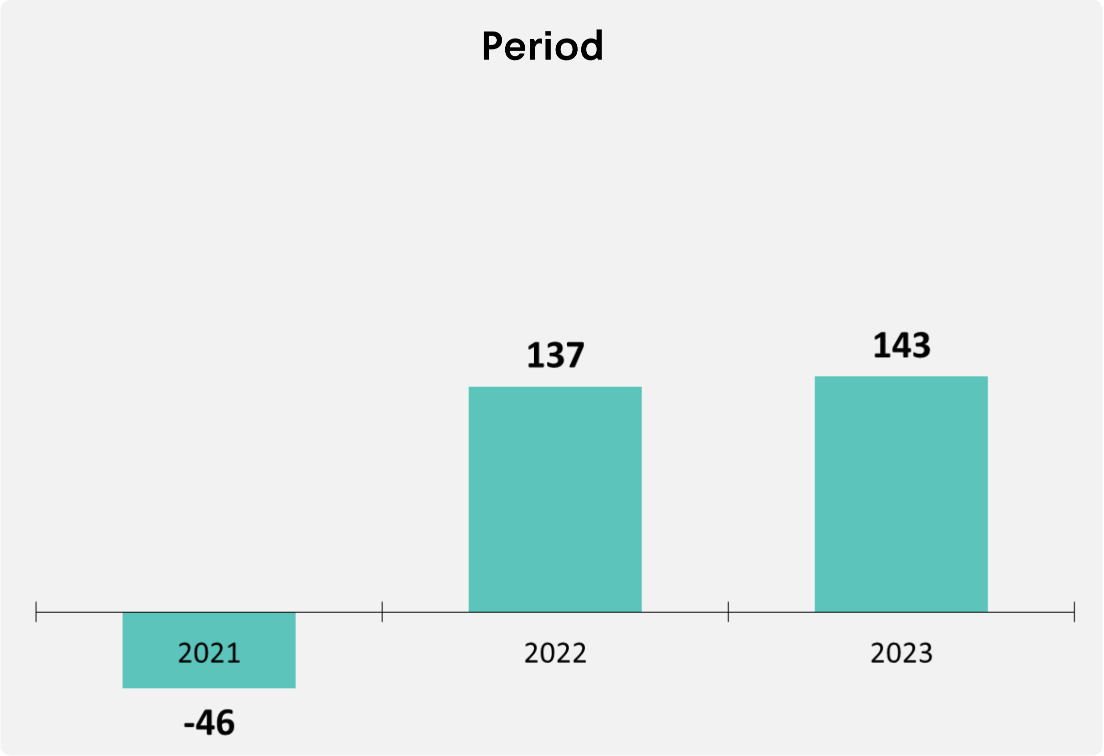


Adjusted Free Cash Flow

(NIS, million)

Adjusted FCF in 2023 amounted to NIS 143 million, an increase of 4% compared with 2022

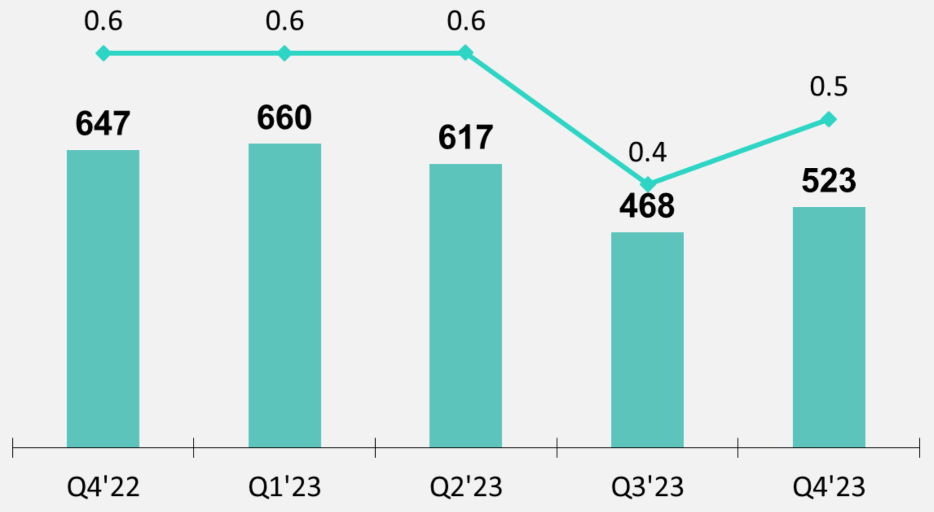




Net Financial Debt & Repayment Schedule

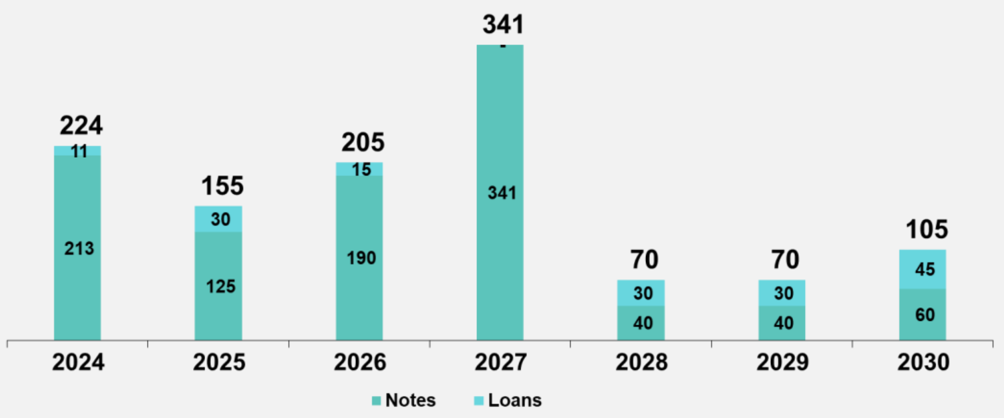
In July 2023 S&P Ma'alot updated its Outlook To Positive due to improved financial metrics and affirmed its 'ilA+' Rating

Net Financial Debt (NIS, million)/Net Financial Debt to Adjusted EBITDA



Repayment Schedule Notes & Loans (NIS, million)

<u>As of December 31, 2023</u>



'Net Financial Debt' represents total financial debt less cash and cash equivalents and short-term deposits; Net financial debt is not a financial measure according to IFRS and may not be comparable to other measure with similar headings for other companies

Let´s stay in touch

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Thank you